REMARKS

Reconsideration of the above-identified application in view of the remarks following is respectfully requested.

Claims 1-29 are in this case. Claims 1-29 are rejected. Claims 8, 11, 12, 14, 24, 26 and 28 have now been canceled without prejudice. Claims 1, 15, 16, 23 and 29 have now been amended. New claims 30-35 have been added.

Formal Drawings

Permission is requested of the Examiner to approve Figs. 2, 3 and 4 as shown in red ink on the attached sheets. Formal drawings are being filed with this Response.

Rejections over 35 USC 112

The Examiner has rejected claims 23, 27 and 28 over 35 USC 112, second paragraph for being indefinite, as claim 23 recites "hedging is performed at the point of sale".

While continuing to traverse the rejections of the Examiner, Applicant has chosen to amend claim 23 to remove the above recitation, in order to expedite the prosecution. Applicant feels that this overcomes the rejections of the Examiner in this regard.

Rejections over 35 USC 102

The Examiner has rejected claims 1-29 under 35 USC 102(e) as being anticipated by US Patent No. 6,598,028 to Sullivan et al (Sullivan). The rejections of the Examiner are respectfully traversed.

Sullivan teaches a centrally managed payment system, which is focused upon managing money (including currencies and investments) for the buyer. In effect,

Sullivan teaches a bank account with added-value functions, which increase the range and type of transactions for the buyer. However, the teachings of Sullivan are only operative insofar as they assist the individual user or small business as the owner of the bank account, and hence as the purchaser of goods or services; the teachings of Sullivan are silent with regard to any utility that is suitable for the vendor of such goods or services. For example, in col 6, lines 22-33, Sullivan teaches that the taught invention in this patent is better than prior art teachings because it provides suitable financial products to "high net worth individuals and small to medium size businesses", as the owners of bank accounts. Col 8, lines 10-14 further emphasizes that the system of Sullivan is able to provide a cheaper currency facility for users, but not a facility which in any way reduces the risk for users.

Figure 2 of Sullivan illustrates the capabilities of such a centrally managed system, which allows for example individual users to be investors (user 1), to purchase goods from eBay (user 2), to pay credit card bills (user 3), and so forth. All of these activities depend upon the user having a bank account with the centrally managed facility, shown as a universal financial mechanism 100 in Figure 2.

With regard to the example of purchasing goods from eBay, the buyer's currency is converted to the seller's currency only when the auction closes. Therefore, the buyer could make a bid for the object, expecting the price in the buyer's currency to be worth a predetermined amount, only to find when the auction closes that the actual amount in the buyer's currency is different (see col 10, lines 30-34). Furthermore, the system can only pay with money held by the buyer (individual user), who must therefore request conversion of the buyer's currency into the seller's currency. Thus, only buyers who belong to such a centrally managed system can take advantage of it.

Such a centrally managed facility attempts to offer added value to users by aggregating currency conversions from a plurality of users into a large conversion request, as shown in Figure 4 of Sullivan. This aggregation enables the users to obtain a better rate for the conversion; however, it does nothing to reduce or eliminate the risks inherent in such conversions (for example, that the conversion rate will later change in a direction that is unfavorable to the user).

The concept of hedging is mentioned only with regard to hedge funds as a source of investment for the user of the centrally managed mechanism (see col 2, lines 36-40 of Sullivan). Hedge funds however are not hedging the individual user against risk with regard to currency exchange; rather, such hedge funds seek to take positions with regard to currency movements that will earn money for investors in the funds.

Instead, Sullivan is intended to increase the ease of currency transactions by users and to decrease the cost; the individual user, however, bears all of the risk. Furthermore, the individual user needs to buy and hold currencies in order to make various payments, if the user wants to plan ahead for future purchases, as described in col 9, lines 33-37 of Sullivan. Sullivan only provides "real time" currency data (see also the description with regard to Figure 5).

Thus, Sullivan teaches away from the concept of managing the risk of individual users, instead forcing such users to manage their own currency risk, and providing only a better set of tools (real time exchange rate data, a set of bank accounts in different currencies, and so forth) to enable the users to make decisions about such risks.

Hedging, on the other hand, is a very different activity; it is concerned with controlling financial exposure to changes in currency rates over time. *Hedging* a particular currency exposure is done by establishing an offsetting currency position

such that whatever is lost or gained on the original currency exposure is exactly offset by a corresponding foreign exchange gain or loss on the currency hedge. On a technical level, hedging involves the use of tools such as options and forward contracts. A *forward* contract is an agreement to exchange an amount of a first currency for a pre-agreed amount of a second currency at a point in the future. Interest rate differentials between the two currencies determine the cost of the hedge. An *option* contract on the other hand, allows the buyer to choose whether to perform the actual exchange depending on the direction taken by the currency market during the period. The cost of hedging with options is determined by the length of the period and volatility of exchange rates for the currency pair. *Option* contracts are more expensive than *forward* contracts for hedging currency positions. Options are more efficient when there is a high degree of uncertainty regarding the volume and time period of the original currency exposure.

Claim 1 now recites use of these technical tools for hedging. One of ordinary skill in the art would not have been motivated to consider these tools in combination with Sullivan, because not only is Sullivan silent on the need for hedging or the possible uses of hedging, the combination of Sullivan with such technical tools would not be operative. Sullivan teaches the physical management of actual money in actual bank accounts. The use of risk reduction without purchase or exchange of money would contradict the mechanism described by Sullivan.

Unlike Sullivan, the present invention is not about money management for the buyer, but rather is about reducing or eliminating risks in transactions between a buyer and a vendor. The present invention reduces/eliminates such risks for transactions involving different currencies through hedging.

Different ecommerce scenarios involve a substantial time lapse between displaying the price to the buyer and receiving payment from the buyer. Cross-border credit card transactions typically take at least one week to settle; refunds and charge-backs can take place up to 6 months after converting the price; recurring payments can occur up to 12 months following price display. Sullivan does not address the need to guarantee currency rates over time. By contrast, the present invention both addresses this need and solves it, through hedging.

As described with regard to now amended claim 23, for example, the method of the present invention preferably communicates only with the vendor, and provides hedging of the currency transaction on behalf of the vendor (support can be found with regard to Figures 3-5 and the accompanying text). This is in complete contrast to Sullivan, which only provides money management for the buyer, and is silent as to any type of assistance for the vendor.

Now amended claims 1 and 29 recite that hedging is performed with at least one of an option or a forward contract; support can be found on page 27. Sullivan does not teach or suggest such a feature, because Sullivan does not attempt to alleviate risks for the buyer or the vendor. Instead, Sullivan simply provides money payment facilities which allow money to be exchanged quickly and to be quickly paid to the vendor. Indeed, Sullivan teaches away from hedging or risk management, because of the emphasis of Sullivan on assisting the execution of actions of individual users, without any description of managing the *effects* of such actions.

New claim 30 recites a method in which a vendor needs to purchase a plurality of products from a plurality of suppliers in different currencies, and to sell these products to a plurality of buyers, also in different currencies. An example of such a vendor is the travel Web sites which sell hotel stays in different countries to users who

are also from different countries. Clearly, this situation is not envisaged by Sullivan, who is only interested in managing money for the buyer; a complex system with multiple buyers and suppliers interacting with a vendor is not even contemplated by Sullivan. The teachings of Sullivan would simply not be operative for such a complex system. New claim 31 adds the recitation of paying the supplier.

New claim 32 recites a method in which a buyer pays the vendor with a plurality of payments, which may occur for example with a magazine subscription; each time period (such as each month or each year), the buyer pays the vendor for the subscription. However, the buyer needs to know that the payments will not change because of exchange rate fluctuations, while the vendor also needs to be protected from such fluctuations. Again, the teachings of Sullivan would simply be inoperative for such a situation, as Sullivan does not provide management of currency exchange over time. Instead, Sullivan only helps the user with currency exchange for a single payment, which would clearly expose the buyer to risk in the above scenario involving multiple payments. Claim 33 adds the recitation of hedging through particular tools.

Claims 15 and 16 have been amended for clarity; support can be found throughout the specification, particularly on page 19, lines 1-8 and in Figure 4.

Claims 34 and 35 have been added for automatic detection of the buyer's currency; support can be found throughout the specification, particularly on page 19, lines 18-end.

In view of the above remarks it is respectfully submitted that claims 1-7, 9, 10, 13, 15-23, 25, 27 and 29-35 are now in condition for allowance. Prompt notice of allowance is respectfully and earnestly solicited.

Respectfully submitted,

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Serial No.: 09/597,461 ANNOTATED MARKED-UP DRAWING Sheet: 1 of 3
Inventor: KOMEM et al Title: .... FOR MULTIPLE CURRENCY TRANSACTIONS

Figure 2

~~(20)~~ 26

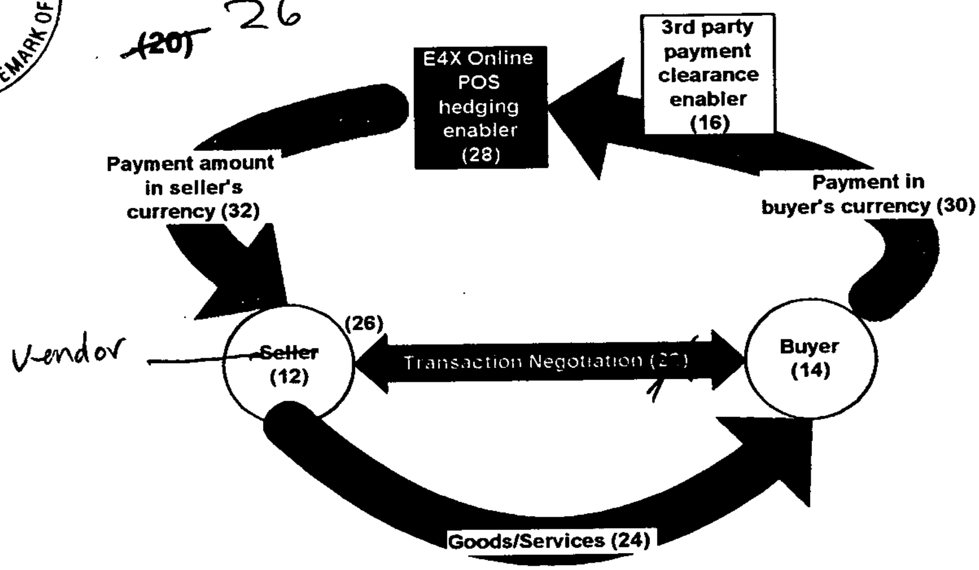


Figure 3

(20)

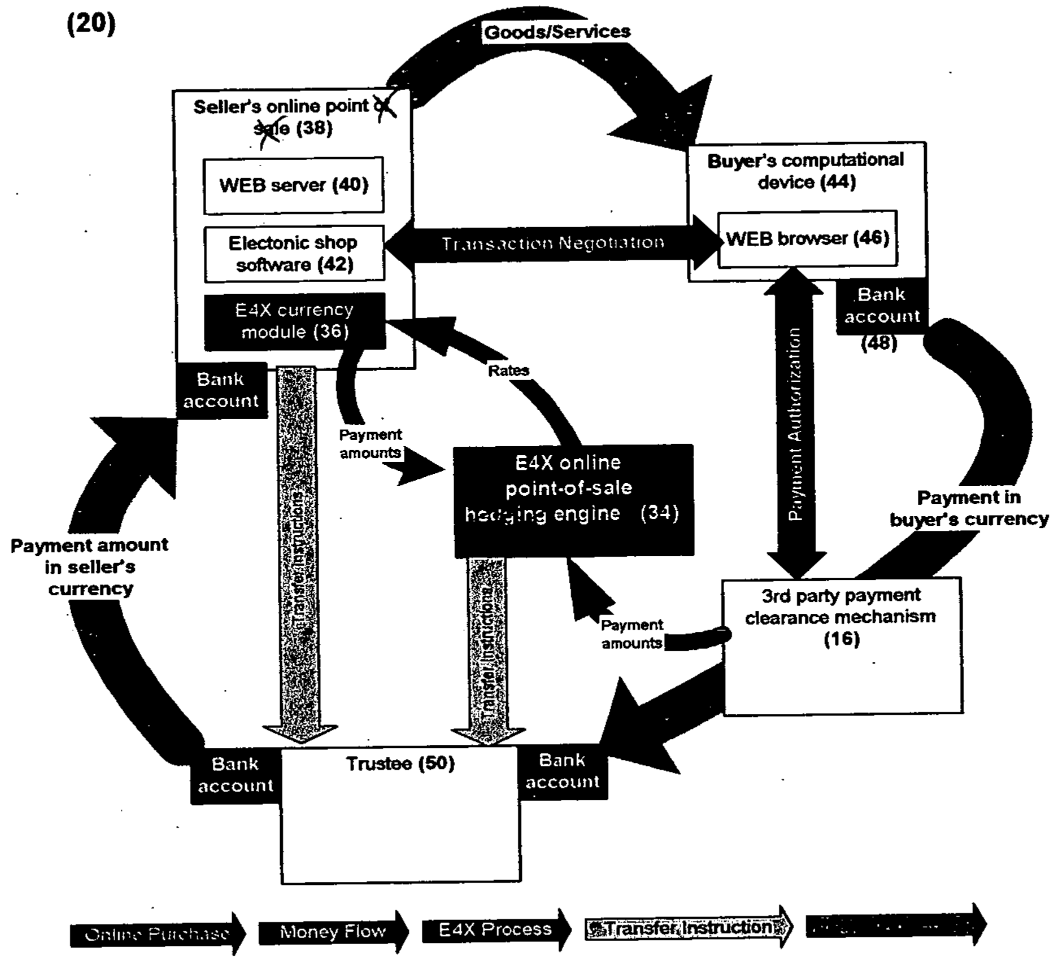
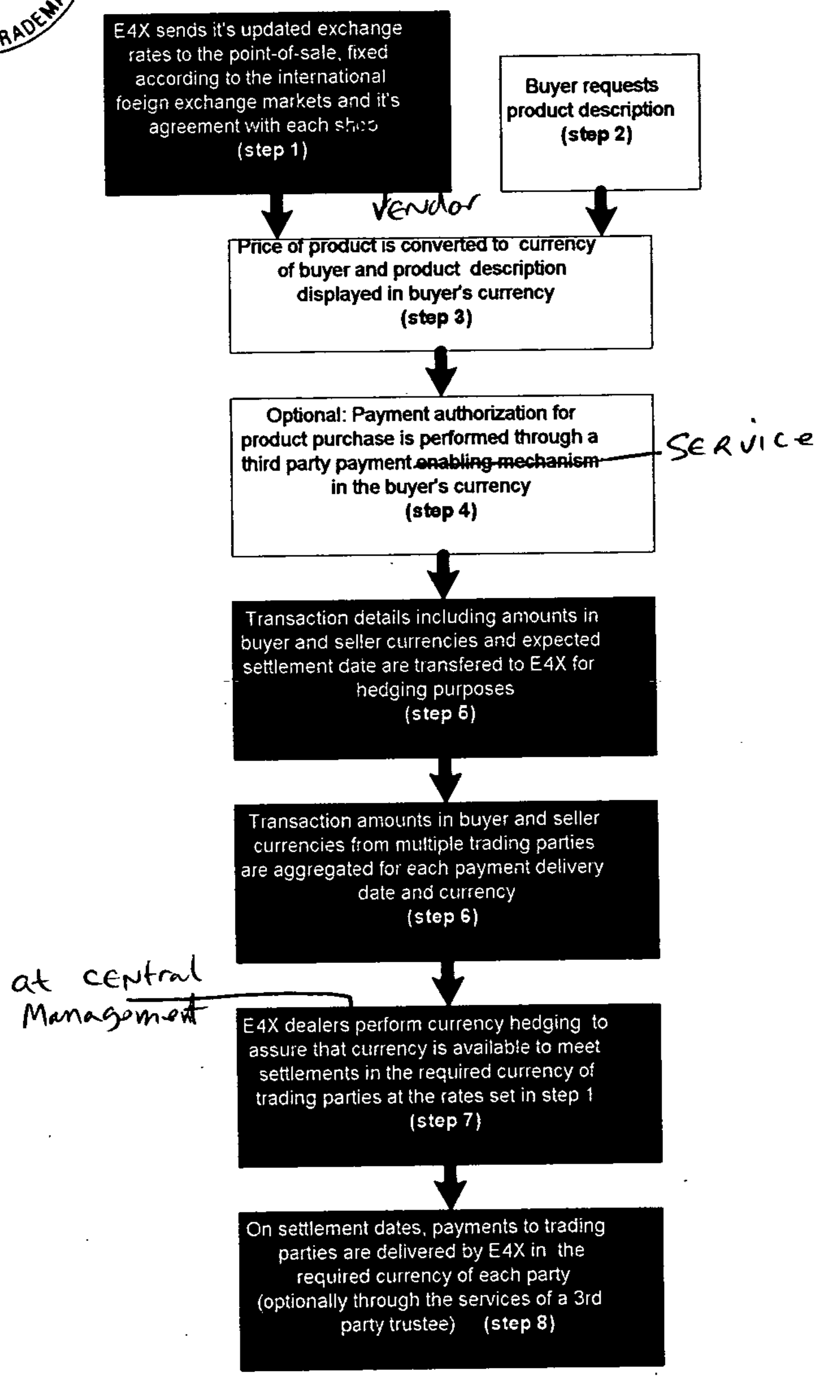

Goods/Services
Seller's online point of sale (38)
WEB server (40)
Electonic shop software (42)
E4X currency module (36)
Bank account
Transaction Negotiation
Buyer's computational device (44)
WEB browser (46)
Bank account (48)
Rates
Payment amounts
Payment Authorization
E4X online point-of-sale hedging engine (34)
Payment in buyer's currency
Payment amount in seller's currency
Transfer Instructions
Transfer Instructions
Payment amounts
3rd party payment clearance mechanism (16)
Bank account
Trustee (50)
Bank account
Online Purchase
Money Flow
E4X Process
Transfer Instruction

Figure 4


E4X sends it's updated exchange rates to the point-of-sale, fixed according to the international foeign exchange markets and it's agreement with each shop (step 1)
Buyer requests product description (step 2)
Vendor
Price of product is converted to currency of buyer and product description displayed in buyer's currency (step 3)
Optional: Payment authorization for product purchase is performed through a third party payment ~~enabling mechanism~~ service in the buyer's currency (step 4)
Transaction details including amounts in buyer and seller currencies and expected settlement date are transfered to E4X for hedging purposes (step 5)
Transaction amounts in buyer and seller currencies from multiple trading parties are aggregated for each payment delivery date and currency (step 6)
at central Management
E4X dealers perform currency hedging to assure that currency is available to meet settlements in the required currency of trading parties at the rates set in step 1 (step 7)
On settlement dates, payments to trading parties are delivered by E4X in the required currency of each party (optionally through the services of a 3rd party trustee) (step 8)